

Message Text

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SUBJ: OFFSET

FOLLOWING ARE EXTS OF PRESS RELEASE AND EXPLANATORY NOTE
DISTRIBUTED AT DEPARTMENT'S NOON PRESS BRIEFING APRIL 25.
EXCERPTS OF PRESS BACKGROUNDER FOLLOW BY SEPTTEL.

"US-FRG OFFSET AGREEMENT

THE GOVERNMENTS OF THE FEDERAL REPUBLIC OF GERMANY AND THE
UNITED STATES OF AMERICA, REPRESENTED BY MINISTERIAL
DIREKTOR DR. PETER HERMES AND AMBASSADOR MARTIN HILLEN-
BRAND, TODAY SIGNED AN AGREEMENT WHICH PROVIDES FOR OFF-
SETTING THE BALANCE-OF-PAYMENTS COSTS OF STATIONING US
FORCES IN THE FEDERAL REPUBLIC. THE AGREEMENT RESULTED
FROM SEVERAL MONTHS OF NEGOTIATION AND FROM INFORMAL TALKS
HELD ON MARCH 19, 1974, BETWEEN THE FEDERAL MINISTER OF
FINANCE, HERR HELMUT SCHMIDT, AND THE SECRETARY OF THE
TREASURY OF THE UNITED STATES OF AMERICA, MR. GEORGE
SHULTZ. REMAINING DETAILS WERE SUBSEQUENTLY AGREED
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BETWEEN THE NEGOTIATING DELEGATIONS.

THE NEW AGREEMENT COVERS THE PERIOD FROM JULY 1, 1973, TO JUNE 30, 1975. IT INVOLVES A TOTAL VALUE OF 5,920 MILLION DM (ABOUT 2.2 BILLION DOLLARS AT A CONVERSION RATE

OF \$1 2.669 DM). AS PREVIOUSLY, MILITARY PROCUREMENT IS THE LARGEST ELEMENT (2,750 MILLION DM). SIMILAR TO THE 1970/71 AGREEMENT, THE PRESENT AGREEMENT INCLUDES PROCUREMENT OF URANIUM SEPARATION WORK FOR CIVILIAN PURPOSES AND, FOR THE FIRST TIME, BILATERAL PROJECTS IN THE FIELD OF SCIENTIFIC AND TECHNOLOGICAL COOPERATION (300 MILLION DM). THE PROGRAM FOR MODERNIZATION OF BARRACKS AND OTHER FACILITIES USED BY UNITED STATES FORCES IN GERMANY, INCLUDED IN THE PREVIOUS AGREEMENT, WILL BE CONTINUED (600 MILLION DM). IN ADDITION, THE UNITED STATES FORCES WILL BE EXEMPT FROM LANDING CHARGES IN GERMAN CIVILIAN AIRFIELDS AND FROM CERTAIN REAL ESTATE TAXES (20 MILLION DM). AS PREVIOUSLY, PROVISION HAS BEEN MADE FOR THE ACQUISITION OF LOW-INTEREST UNITED STATES TREASURY SECURITIES BY THE DEUTSCHE BUNDESBANK (2,250 MILLION DM).

THE AGREEMENT IS BASED ON THE STRENGTH OF THE UNITED STATES FORCES IN THE FEDERAL REPUBLIC OF GERMANY AS OF JULY 1, 1973. BOTH GOVERNMENTS ARE INFORMING THEIR NATO ALLIES ABOUT THIS AGREEMENT, WHICH WILL FORM AN INTEGRAL PART OF THE NATO BURDENSARING PROGRAM CURRENTLY UNDER DISCUSSION.

BOTH SIDES WELCOME THE AGREEMENT AS A VISIBLE AND CONVINCING EXAMPLE OF EXCELLENT GERMAN-AMERICAN COOPERATION WITHIN THE ALLIANCE."

"EXPLANATORY NOTE

OFFSET -- JACKSON-NUNN

IN CONJUNCTION WITH THE PRESS RELEASE ISSUED TODAY BY THE FEDERAL REPUBLIC OF GERMANY AND THE UNITED STATES FOLLOWING SIGNATURE OF OUR NEW OFFSET AGREEMENT, THE UNITED STATES UNCLASSIFIED

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GOVERNMENT WISHES TO ADD THE FOLLOWING POINTS:

THE OFFSET TO BE PROVIDED DURING FISCAL YEARS 1974-75 IS LARGER IN DOLLAR TERMS AND CONTAINS MORE SUBSTANTIAL ECONOMIC BENEFITS TO US THAN WAS THE CASE IN PREVIOUS OFFSET AGREEMENTS. COGNIZANT OF THE REQUIREMENTS OF THE JACKSON-NUNN AMENDMENT, THE AMERICAN SIDE VIEWS THE AGREEMENT AS A MAJOR COMPONENT OF THE NATO-WIDE EFFORT TO SHARE

MORE EQUITABLY THE COMMON BURDEN OF ALLIANCE DEFENSE.
WE ANTICIPATE SUFFICIENT MILITARY PROCUREMENT FROM OUR
OTHER EUROPEAN ALLIES SO THAT, TOGETHER WITH THE GERMAN
OFFSET, WE EXPECT TO MEET THE REQUIREMENTS OF THIS
AMENDMENT AND TO MAINTAIN OUR FORCES IN NATO EUROPE AT

PRESENT LEVELS. WE BELIEVE, THEREFORE, THAT WHAT WE
HAVE ACCOMPLISHED IN THIS AGREEMENT, TOGETHER WITH FORE-
SEEABLE ACTION BY OUR OTHER ALLIES, RESPONDS TO CON-
GRESSIONAL INTENT AND THAT OUR PRIMARY OBJECTIVE HAS
BEEN ACHIEVED."

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